

**REPORT OF THE AUDIT OF THE
KENTUCKY TRANSPORTATION CABINET
REQUIRED SUPPLEMENTARY INFORMATION**

**For The Fiscal Year Ended
June 30, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
James C. Codell, III, Secretary
Kentucky Transportation Cabinet

The enclosed report, prepared by Potter & Company, LLP, Certified Public Accountants, presents the Transportation Cabinet's required supplementary information about infrastructure assets reported using the modified approach for the year ended June 30, 2002. This information is the responsibility of the Cabinet's management.

We engaged Potter & Company, LLP, to perform the examination of the required supplementary information about infrastructure assets reported using the modified approach. We worked closely with the firm during our report review process.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**TRANSPORTATION CABINET OF THE
COMMONWEALTH OF KENTUCKY
FRANKFORT, KENTUCKY**

**INDEPENDENT ACCOUNTANT'S
REPORT ON REQUIRED
SUPPLEMENTARY INFORMATION**

June 30, 2002

**TRANSPORTATION CABINET OF
THE COMMONWEALTH OF KENTUCKY
FRANKFORT, KENTUCKY**

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TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY

Required Supplementary Information
Year Ended June 30, 2002

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the Commonwealth has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the Commonwealth expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 61,500 lane miles of roads and approximately 8,900 bridges that the Commonwealth is responsible to maintain.

In order to utilize the modified approach, the Commonwealth is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Commonwealth.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Pavements

Measurement Scale

The Kentucky Transportation Cabinet (KYTC) uses numerous methods to determine the condition of roadway pavements; however, the Pavement Condition Index (PCI) serves as KYTC's primary method to measure and monitor pavement conditions. In use since the mid-1980s, the PCI for any particular pavement section is the mathematical difference between the current pavement smoothness as measured by a Rideability Index and the acceptable pavement smoothness threshold based on traffic volumes. The corresponding pavement condition is based on the following PCI ranges:

TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY

Required Supplementary Information

Year Ended June 30, 2002

Pavements Continued

Measurement Scale Continued

<u>Average Daily Traffic</u>	<u>Poor Condition</u>	<u>Fair Condition</u>	<u>Good Condition</u>
Above 12,000	0.0 or lower	0.1 to 0.5	0.6 or higher
10,001 - 12,000	0.0 or lower	0.1 to 0.5	0.6 or higher
8,001 - 10,000	0.0 or lower	0.1 to 0.6	0.7 or higher
6,001 - 8,000	0.0 or lower	0.1 to 0.6	0.7 or higher
4,001 - 6,000	0.0 or lower	0.1 to 0.7	0.8 or higher
2,001 - 4,000	0.0 or lower	0.1 to 0.7	0.8 or higher
1,501 - 2,000	0.0 or lower	0.1 to 0.8	0.9 or higher
1,001 - 1,500	0.0 or lower	0.1 to 0.8	0.9 or higher
801 - 1,000	0.0 or lower	0.1 to 0.9	1.0 or higher
601 - 800	0.0 or lower	0.1 to 0.9	1.0 or higher
401 - 600	0.0 or lower	0.1 to 1.0	1.1 or higher
201 - 400	0.0 or lower	0.1 to 1.0	1.1 or higher
1 - 200	0.0 or lower	0.1 to 1.1	1.2 or higher

Established Minimum Condition Level

No more than 30% of the pavements shall be rated as "poor."

Assessed Conditions

The Commonwealth assesses pavement condition on a calendar year basis. The following table reports the percentage of pavements meeting ratings of "Good", "Fair", and "Poor" for the past five years.

<u>Condition</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Good	50.4%	51.7%	51.5%	55.9%	64.3%
Fair	29.0%	31.2%	30.8%	30.3%	22.5%
Poor	20.6%	17.1%	17.7%	13.8%	13.2%

TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY

Required Supplementary Information

Year Ended June 30, 2002

Bridges

Measurement Scale

KYTC utilizes the National Bridge Inspection Program to monitor the condition of the nearly 8,900 bridges under its jurisdiction. The National Bridge Inspection Program rates bridges, including the deck, superstructure and substructure, using a 0 to 9 point scale. The ratings are based on the following descriptions:

<u>Rating</u>	<u>Description</u>
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling or scour.
4	Poor. Advanced section loss, deterioration, spalling or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service; beyond corrective action.

Established Minimum Condition Level

No more than 7% of the bridges shall be rated as "structurally deficient."

TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY

Required Supplementary Information

Year Ended June 30, 2002

Assessed Conditions

"Structurally deficient" results when a rating of 4 or worse is assessed to at least one of the major structural elements (e.g. the deck, superstructure, or substructure). The following table reports the percentage of bridges whose condition was assessed as "structurally deficient" in the stated year:

<u>Calendar Year</u>	<u>Structurally Deficient</u>
2001	5.3%
2000	4.9%
1999	4.9%
1998	5.1%
1997	5.4%

Maintenance

Measurement Scale

KYTC uses its Maintenance Rating Program to measure and monitor the maintenance condition of the state-maintained highway system. This program is based on field rating the condition of twenty-five attributes for a statistically valid, random sample of 500 foot highway segments. It has been in use since 1999 and the overall score uses a scale of 0 to 100 as follows:

<u>Score</u>	<u>Level of Service</u>
90.0 – 100.0	A – Excellent
80.0 – 89.9	B – Good
70.0 – 79.9	C – Acceptable
60.0 – 69.9	D – Poor
50.0 – 59.9	F – Unacceptable

Established Minimum Condition Level

The statewide score shall not be lower than 70.

TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY

Required Supplementary Information

Year Ended June 30, 2002

Assessed Conditions

The Commonwealth assesses the maintenance condition on a fiscal year basis. The following table reports the statewide score for the Maintenance Rating Program since the inception of the program:

<u>Fiscal Year</u>	<u>Statewide Score</u>	<u>Level of Service</u>
2002	78.2	C
2001	75.9	C
2000	75.3	C

Budgeted and Estimated Costs to Maintain

The following table presents the Commonwealth's estimate of spending necessary to preserve and maintain the pavements, bridges, and maintenance condition at, or above, the "Established Condition Levels" cited above and the actual amount spent during the past three fiscal years (in millions):

<u>Fiscal Year</u>	<u>Estimated Spending</u>	<u>Actual Spending</u>
2003	\$697.0	--
2002	Not Available	\$672.7
2001	Not Available	\$700.6
2000	Not Available	\$688.8

The Commonwealth's Management Administrative and Reporting System (MARS) is utilized to identify the actual spending on highway system maintenance and preservation activities. MARS was first implemented for the fiscal year ended June 30, 2000, therefore, only three fiscal years of historical spending levels are available.

The annual budgeting process utilized by the Commonwealth results in spending in one fiscal year amounts that were budgeted in a previous year(s). Additionally, beginning in FY2000 the Transportation Cabinet began using a cash-flow basis funding technique for financing to costs of highway projects. Expenditures for the three fiscal years displayed above include the expenditure of previous year's revenues that have been carried forward to that fiscal year as a cash balance. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year. The tables and narrative above demonstrate that the Cabinet is spending sufficient amounts to meet its reportable condition level goals.

